

Message Text

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ACTION EB-07

INFO OCT-01 EA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

INR-07 NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02

CIEP-02 LAB-04 SIL-01 OMB-01 NSC-05 SS-15 STR-04

CEA-01 PA-02 PRS-01 USIA-15 /095 W

----- 026071

R 310807Z DEC 74

FM AMEMBASSY JAKARTA

TO SECSTATE WASHDC 5889

INFO AMCONSUL HONG KONG

AMCONSUL MEDAN

AMCONSUL SURABAYA

UNCLAS JAKARTA 15579

E.O. 11652: N/A

TAGS: EGEN, AFIN, ID

SUBJ: CERP: GOI EASES NEY# SLIGHTLY

REF: JAKARTA 5063 (APRIL 26, 1974)

1. EFFECTIVE DECEMBER 28, 1974, GOI ANNOUNCED REDUCTIONS IN INTEREST RATES ON SHORT-TERM CREDITS BY STATE BANKS TO ENTERPRISES IN ABOUT TEN FIELDS, INCLUDING EXPORT, TEXTILES, PUBLIC TRANSPORT, RICE HULLING AND SUGAR MILLING. REDUCTIONS, A UNIFORM 3 PER CENT, LEAVE REDUCED INTEREST RATES AT LEVELS RANGING FROM 15 PER CENT TO 18 PER CENT PER ANNUM.

2. INTEREST RATES ON TIME DEPOSITS IN STATE BANKS HAVE ALSO BEEN LOWERED. TWO-YEAR TIME DEPOSITS HAVE GONE DOWN FROM 30 PER CENT INTEREST PER ANNUM TO 24 PER CENT; 18-MONTH DEPOSITS FROM 24 PER CENT TO 21 PER CENT; AND ONE-YEAR DEPOSITS FROM 18 PER CENT TO 15 PER CENT.

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3. AT SAME TIME, REQUIREMENT THAT 30 PER CENT OF CERTAIN FOREIGN BORROWINGS MUST BE DEPOSITED IN INTEREST FREE ACCOUNTS WITH BANK INDONESIA (REFTEL PARA 2 D) HAS ALSO BEEN LIFTED.

4. MINISTER OF INFORMATION TOLD PRESS THESE MEASURES REFLECT GOIWUSUCCESS IN CURBING INFLATION AND SHOULD HELP STIMULATE ECONOMIC ACTIVITY. HE PREDICTED THAT CONSUMER PRICE INFLATION WILL CONTINUE AT RECENT AVERAGE RATE OF 1.6 PERCENT PER MONTH (ABOUT 20 PER CENT PER YEAR), CONSIDERABLY DOWN FROM EARLY 1974.

5. EMBASSY COMMENT: MEASURES ARE TENTATIVE MOVES TOWARD EASIER MONEY, UNLIKELY HAVE MUCH IMPACT. WHILE BANK CREDIT SOMEWHAT EASED, LOWER RATES ON TIME DEPOSITS WILL NOT BE HELPFUL IN ATTRACTING NEEDED FUNDS INTO BANKING SYSTEM -- ESPECIALLY IN TIME OF STILL SEVERE, THOUGH REDUCED, INFLATION. REQUIREMENT FOR 30 PER CENT DEPOSIT ON FOREIGN BORROWINGS, NOW REMOVED, TO OUR KNOWLEDGE WAS NOT EFFECTIVELY IMPLEMENTED.
TOUSSAINT

NOTE BY OC/T:#AS RECEIVED.

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